

California Public Utilities Commission

Energy Division

Audit Report

Pacific Gas & Electric Company

Interruptible Load Management Program
Memorandum Account
For Years 2001, 2002, and 2003

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May 20, 2005

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I. Executive Summary

A. The California Public Utilities Commission's (Commission) Energy Division conducted an audit of Pacific Gas & Electric Company's Interruptible Load Management Program Memorandum Account as ordered by Decision D.03-08-028 dated August 21, 2003.

The Commission ordered the Energy Division per D.03-08-028, to perform an audit of Pacific Gas & Electric Company's (PG&E) Interruptible Load Management Program Memorandum Account (ILPMA) for calendar years 2001. Energy Division extended the scope of the audit to include years 2002 and 2003 as approved by the Commission's Executive Director to allow PG&E's recovery of incremental costs for years 2001 through 2003. The objective of the audit is to assure reasonableness and accuracy of Interruptible Load Management Program (ILMP) incremental costs and revenues recorded in the ILPMA for the years 2001, 2002, and 2003, above the current rates authorized by the Commission, and reduced by revenues from penalties or other funds received.

B. PG&E properly maintained an Interruptible Load Management Program Memorandum Account as ordered by Commission Decision D.01-04-006 on April 3, 2001 and affirmed by D.07-01-029 on July 12, 2001.

PG&E's incremental costs in the memorandum account were determined to be reasonable¹ and properly accounted for, with satisfactory support and documentation. PG&E maintained separate accounting for each ILMP identifying costs and any revenues associated with each program. PG&E recorded ILMP incremental costs from 2001 to 2002, and included the 2003 ILMP incremental costs in their 2003 GRC. However, PG&E continued to record incremental costs relating to Circuit Reconfiguration and Reconfiguration Studies, and Customer Program Admin. & General Expenses in the ILPMA in 2003.

Judgmental sampling was applied in testing PG&E's incremental costs for calendar years 2001, 2002, and 2003. The Energy Division auditor sampled 75% of PG&E's submitted incremental costs of \$2,440,064 (excluding interest), and the sampled incremental costs were determined to be properly recorded and supported. The review of PG&E's records showed minor audit adjustments.

The Energy Division auditor sampled selected months for each ILMP for years 2001-2003 using the detailed reports submitted by PG&E. For the months sampled, documents supporting all entries were requested and PG&E provided the documents for review. All documents examined were found reasonable² and accurate.

¹ See Page 14, Section B

² *Id.*

Appendix- C contains the schedules developed during the audit to show which months were reviewed and examined.

PG&E maintained adequate accounting internal control for ILMP incremental costs. PG&E uses SAP accounting system to track ILMP expenditures and activities. Total ILMP incremental costs are determined via SAP generated reports. ILPMA expenditures are identified by Cost Element codes, Cost Centers and Order/Group numbers. Monthly journal entries are prepared to record ILMP expenditures and interest. Several reconciliations are performed by PG&E's Energy Accounting Department Analyst and reviewed by a Supervisor. Periodically, the reconciliation is reviewed by the Corporate Accounting Compliance group to assure accuracy of records. Energy Accounting Department receives updates and guidance on changes to the ILPMA from the Revenue Requirement, and Technical Accounting Departments.³

PG&E maintained proper records of customers who participated in PG&E's ILMP. Contracts signed between PG&E and ILMP participants were sampled, reviewed and determined to be properly kept and in accordance with the Commission's order. PG&E applied the incentive payments to customers from 2001 through 2003 via billing credits. However, PG&E inadvertently recovered these incentive payments as part of its bankruptcy settlement. PG&E included the incentive payments in its Transition Revenue Account (TRA) rather than in the ILPMA account. There were no records available from PG&E to support the incentive payments as these payments were embedded as components of TRA. Additionally, PG&E did not include the incentive payments in their ILPMA recovery request.

PG&E contracted with a notification service company to handle customer notification of system curtailments. PG&E also mailed advance notification to customers for rotating power outage exempt notices. PG&E established "Outbound Calling Program" to account for the costs of notifying customers via an outside vendor. PG&E also created Mandatory Customer Notification/Mailing Program to account for costs of notifying customers through mail.

The audit verified PG&E's computation of interest on ILPMA balances. The audit determined that the interest were in accordance with PG&E's Preliminary Statements BX relating to ILMP. PG&E did not include accrued interest in 2003 related incremental costs that were part of the ILPMA ending balance for years 2001 and 2002. PG&E claimed total interest of \$53,857 for 2001, 2002, and 2003. The total interest computed through the audit was \$78,306. The \$24,449 difference relating to the accrued interest costs for 2001 and 2002 in year 2003, will be included in PG&E's allowable incremental costs recovery request. (See Exhibit I-1 below)

³ PG&E's response to Energy Division Data Request #1, Question 3, dated September 27, 2004. PG&E Data Request No. ED_009-03, File Name: AnnEarnAssessProcConsol2000-2002_DR_ED_009-03.

**Exhibit I-1: There is a \$24,449 difference between total interest costs claimed by PG&E from 2001-2003, compared to what was calculated through the audit.
(In Dollars)**

	2001	2002	2003	Total
Per PG&E	19,748	30,109	4,000	53,857
Per Audit	21,925	29,561	26,820	78,306
Difference	2,177	(548)	22,820	24,449

Note 1 – PG&E's interest amounts were from their AEAP filings for 2002, 2003, and 2004.

C. PG&E claimed a total of \$2,332,426 ILMP incremental costs in its 2003 Headroom Account. PG&E included this amount in its bankruptcy settlement proceedings. This amount was used to offset PG&E's total recovery requests for years 2001 to 2003.

PG&E included among other things, the ILPMA balance as of December 31, 2003 of \$2.33 million representing incremental costs incurred in years 2001, 2002, and 2003, in their computation of 2003 Headroom Account (HA).

In the Commission Decision D.03-12-035 dated December 18, 2003 related to PG&E's bankruptcy settlement proceeding, the proposed settlement agreement established that PG&E is authorized to collect at least \$775 million and not more than \$875 million of headroom revenues. Headroom Account was the vehicle used by PG&E in the bankruptcy settlement proceeding to determine how much excess revenues were to be refunded (i.e., accrued headroom over \$875 million) to the ratepayers or how much additional revenues PG&E must collect (i.e., accrued headroom is below \$775 million) from the ratepayers. Headroom refers to "PG&E's total net after-tax income reported under generally accepted accounting principles, less earnings from operations, plus after-tax amounts accrued for bankruptcy-related administration and bankruptcy-related interest costs..."⁴

Since PG&E included \$2.33 million of ILPMA incremental costs relating to years 2001 to 2003 in the Headroom Account under their bankruptcy settlement proceedings, and at the same time, filed AEAP's relating to ILPMA incremental costs for the same years 2001 to 2003, the ILPMA in the Headroom Account should be offset from the AEAP incremental costs recovery requests to avoid duplication of recovery.

⁴ D.03-12-035 dated December 18, 2003, Appendix A (z).

D. The Commission should allow PG&E recovery of its net ILMP incremental costs including interest totaling \$148,202 for years 2001, 2002, and 2003, as recorded in PG&E's ILPMA, and adjusted by audit adjustments and headroom account adjustment.

Based on our review of PG&E's ILPMA for calendar years 2001, 2002, and 2003, PG&E's requests for recovery of incremental costs as filed in PG&E's Annual Earnings Assessment Proceeding (AEAP) for years 2002, 2003, and 2004 were appropriate and reasonable.⁵ Incremental program costs from years 2001 to 2003 were sampled and no material misstatements were identified. However, minor audit adjustments amounting to a disallowance of \$37,742 for incremental costs not supported by PG&E were determined during the course of the audit. Refer to Appendix D, page 3. As mentioned above, PG&E did not include accrued interest in 2003 amounting to \$24,449 that was related to incremental costs incurred in 2001 and 2002. A net adjustment of \$13,293 reduced PG&E's total claim to \$2,480,628. Out of this amount, \$2,332,426 of incremental costs already claimed in PG&E's Headroom Account under PG&E's bankruptcy settlement proceeding was netted to arrive at the total amount that PG&E is allowed to recover. (See Exhibit I-2 below)

**Exhibit I-2: PG&E should be allowed to recover \$148,202
ILMP incremental costs and interest reduced by Headroom Account Adjustment
for years 2001, 2002, and 2003
(In Dollars)**

	2001	2002	2003	Total
Per PG&E ¹	1,284,986	773,204	435,006	2,493,921
Audit Adjustments ²	(725)	(2,034)	(34,983)	(37,742)
Interest	2,177	(548)	22,820	24,449
Headroom Account ³	(1,287,163)	(878,312)	(166,185)	(2,332,426)
Recovery Allowed	(766)	(107,690)	256,658	148,202

Note 1: PG&E recovery requests were filed in their AEAPs for 2002, 2003, and 2004. PG&E did not include interest in their ILPMA incremental costs but reflected the interest in its AEAP filings. Refer to Appendix D, pp 1-3.

Note 2: Comprised of unsupported costs incurred by PG&E. Refer to Appendix D, p3.

Note 3: PG&E's Headroom Account included interest costs totaling \$79,350. Refer to Appendix D, p.8

PG&E's interest on ILPMA balances at the end of 2001, 2002, and 2003 as filed in its AEAP for 2002, 2003, and 2004, amounted to \$19,748 in 2001, \$30,109 in 2002, and \$4,000 in 2003, or a total of \$53,857. Audit findings showed adjustments of \$24,449, increasing PG&E's claim to \$78,306 of interest. (See Exhibit I-1 above, and Appendix D, page 3).

⁵ See Page 14, Section B

II. Background

A. Interruptible Load Management Programs (ILMP) are incentives given to customers to reduce their electric consumption during times when energy demand is high.

Customers who are participating to “interrupt” their energy usage will be compensated through monthly fixed payments, a discount off their electric rate, or on a pay-per-event basis.

On April 3, 2001, the Commission issued Decision 01-04-006 allowing PG&E, SCE, and SDG&E (Utilities) to establish a memorandum account relating to interruptible load management programs. The memorandum account tracks all costs and revenues above funds authorized in current tariff rates (i.e., incremental costs and revenues) to implement any program, activity, study, or report. D.01-04-006 improved the interruptible tariffs and rotating outage programs of PG&E, SCE and SDG&E. This decision provided short-term and mid-term tools to aid California for challenges it faced beginning in 2001 due to the energy crisis.

B. The Commission instructed the utilities to track certain costs and revenues in a memorandum account.

On July 12, 2001, D.01-07-029 affirmed D.01-04-006, instructing the Utilities to track in a memorandum account all costs and revenues above funds authorized in current rates. Utilities may include interest on the balance in each memorandum account.⁶

Utilities were authorized to recover the balances in the memorandum account. However, a reasonableness review of each utility’s memorandum account must first transpire. The Decision stated that the “burden to demonstrate reasonableness for cost recovery will be on each utility. The bar to demonstrate reasonableness will be low and full recovery will be authorized of all incremental costs incurred by the utilities for this program, except for expenditures resulting from incompetence, malfeasance, or some other unreasonable behavior”.⁷

Finally, on August 21, 2003, the Commission adopted D.03-08-028, ordering Energy Division to conduct an audit of administrative costs associated with interruptible tariffs and rotating outage programs recorded by Utilities in their memorandum account for Interruptible Load Programs.

⁶ D.01-07-029, page 3

⁷ *Id.*

III. Overview and Program Descriptions

A. PG&E maintained nine (9) Interruptible Load Management programs in the ILPMA for the Years 2001 to 2003.

PG&E's programs are as follows:

- 1) Circuit Reconfiguration and Reconfiguration Studies (CRCRS)
- 2) Mandatory Customer Notifications/Mailings (MCNM)
- 3) Outbound Calling Program (OCP)
- 4) Base Interruptible Program (BIP)
- 5) Optional Binding Mandatory Curtailment Program (OBMC)
- 6) Scheduled Load Reduction Program (SLRP)
- 7) Voluntary Demand Response Program (VDRP)
- 8) Demand Bidding Program (DBP)
- 9) Excess CEC Load Management Funding

1) Circuit Reconfiguration and Reconfiguration Studies (CRCRS)

Reconfiguration refers to any change to a circuit including new circuits, installing switching devices, or other adjustments that result in an increase in load available to rotating outages.⁸ The Commission authorized PG&E to perform a study to reconfigure its circuits that will isolate essential and non-essential customers on a cost-effective and efficient manner. Apparently, non-essential customers were exempt from rotating outage because they shared a circuit with essential customers. Including non-essential customers in the rotating outage pool would significantly increase available energy load during emergency energy curtailments. In their studies, the utilities were required to list the amount of additional load added to the rotating outage pool, the time required to complete the reconfiguration, the cost, and to recommend on whether or not to implement any or all reconfigurations.⁹

PG&E's incremental costs for CRCRS for the years 2001 and 2003 were \$277,384. Total labor cost was \$168,169 or 68% of adjusted total CRCRS. Energy Division sampled 86% of the total incremental costs, and determined that PG&E's expenditures were reasonable, properly recorded and documented.¹⁰

⁸ D.01-04-006 dated April 3, 2001, Attachment A, page 7.

⁹ *Id.*, pages 42-45, and 98.

¹⁰ See Page 14, Section B

2) Mandatory Customer Notifications / Mailings (MCNM)

The Commission ordered PG&E to provide written notice to customers regarding reclassification between essential and non-essential categories of customers.¹¹ PG&E spent \$209,131 in 2001 and 2002 for cost of printing services, reprographics and postage. Energy Division sampled 96% of the total incremental costs, and found that PG&E's expenditures were reasonable, properly recorded and documented.¹²

3) Outbound Calling Program (OCP)

This program is required for all Utilities to notify required customers of imminent rotating outages, giving priority to customers on life support or critical care. The Commission ordered the Utilities to also contact customers with load of over 300kW; customers who were subject to major economic damage, and customers who have shown a clear and imminent danger to personal health or safety.¹³ The Commission authorized the Utilities to use the best available technology to reduce the time required to notify customers during rotating outages.

PG&E contracted with Envoy Contract Services to provide an automated notification service to notify special customers of imminent rotating outages. PG&E's total incremental costs incurred in 2001 and 2002 amounted to \$472,902. Total labor cost was 48% of the total incremental costs. Energy Division sampled 68% of the total incremental costs, and found that PG&E's expenditures were reasonable¹⁴, properly recorded and documented.

4) Base Interruptible Program (BIP)

This is a reliability program called upon by the ISO that is available to business customers on a large power rate who can commit to curtail at least 15% of their electric load, with minimum usage of not less than 100 kW. Customers are limited to one 4-hour event per day, 10 events per month, and 120 hours per year. There is an incentive to customers of \$7 per kW-month credit on their bill to curtail energy usage. The bill credit is based on the difference between each month's average peak period demand and a customer selected firm service level (FSL). However, a \$6 per kWh penalty is applied for customers who failed to reduce when asked by the utility, and whose energy consumption is in excess of their FSL.

PG&E's incremental costs for BIP for the years 2001-2003 were \$396,507. Total labor cost was 100% of the total BIP incremental costs for years 2001-2003. Energy Division sampled 88% of the total incremental costs, and found that PG&E's

¹¹ *Id.* pages 52-53

¹² See Page 14, Section B

¹³ *Id.* Attachment A, pages 8-9

¹⁴ See Page 14, Section B

expenditures were reasonable, properly recorded and documented.¹⁵ PG&E deducted \$969,804 of BIP incentive payments as credits to its customers' bills in 2001-2003. However, as mentioned on page 2 above, PG&E is not claiming these incentive payments since PG&E already included them in its TRA as part of their bankruptcy proceedings.

5) Optional Binding Mandatory Curtailment (OBMC)

As stated in Appendix A of D.01-04-006, "OBMC program exempts participants (large commercial and industrial customers) from rotating outages if they can reduce the load on their entire circuit by the required amount for the entire duration of every rotating outage. Participants must be able to reduce their circuit load by up to 15%, in increments of 5%. Failure to reduce their load will result in penalties equal to \$6/kWh for all excess energy. Program participants shall pay the cost of any equipment (e.g., communication and metering) required to participate in the program."

PG&E's total incremental cost for OBMC for the years 2001-2003 was \$226,946. Total OBMC labor cost was 100% of the total OBMC incremental costs for years 2001-2003. Energy Division sampled 60% of the total OBMC incremental costs. PG&E's OBMC incremental costs were determined to be reasonable, and were properly recorded and supported.¹⁶

6) Scheduled Load Reduction Program (SLRP)

This program is offered to PG&E's qualifying bundled service customers with an average monthly demand of 100 kW or greater, and willingness to reduce power usage by at least 15%, but not less than 100 kW. The incentive to customers in curtailing their energy usage is \$0.10/kWh of measured reduction. However, customers' power reductions are effective only during pre-scheduled days and times from June 1 to September 30. Qualified customers are required to remain in the program upon the installation of interval meter for a minimum of one year and comply with at least 5 SLRP events. Failure to follow the requirement is tantamount to removal from the SLRP program, and the customers will be responsible for reimbursing the utility for the cost of the meter installed.

PG&E's total incremental costs for SLRP for the years 2001-2003 were \$48,377. Incentive payments to customers of \$5,073 were credited in their bills in 2002 and 2003. However, the amount was included in PG&E's TRA as part of their bankruptcy proceedings. Total SLRP incremental costs for years 2001-2003 were all pertaining to labor cost. Energy Division sampled 53% of the total SLRP incremental costs.

¹⁵ See Page 14, Section B

¹⁶ *Id.*

PG&E's SLRP incremental costs were determined to be reasonable, and were properly recorded and supported.¹⁷

7) Voluntary Demand Reduction Program (VDRP)

This program was replaced by the Demand Bidding Program in July 2001. However, PG&E incurred incremental costs of \$147,315 in 2001. Energy Division sampled 63% of the total VDRP incremental costs. PG&E's VDRP incremental costs were determined to be reasonable, and were properly recorded and supported.¹⁸

8) Demand Bidding Program (DBP)

DBP replaced VDRP per D.01-07-025 dated July 12, 2001. D.02-07-035 approved on July 17, 2002 authorized changes to DBP.

DBP is a bidding program that offers "Day-Ahead" and "Day-Of" price incentives to customers for reducing energy consumption during periods when ISO determines that load relief may be needed. A "Day-Ahead" event may occur any weekday (excluding holidays) between 12:00 pm and 8:00 pm. A "Day-Of" event may occur between 3:00 pm to 8:00 pm. The bidding program offers customers with demands greater than 200 kWh an opportunity to receive incentive payments by voluntarily reducing power without incurring any financial penalty.¹⁹

PG&E's total incremental costs for DBP for the years 2001-2002 were \$279,258. There were no DBP incremental costs for 2003. Total DBP labor cost was 100% of the total DBP incremental costs for years 2001-2002. Energy Division sampled 77% of the total DBP incremental costs. PG&E's DBP incremental costs were determined to be reasonable, and were properly recorded and supported.²⁰

9) Excess CEC Load Management Funding

This activity is unique to PG&E whereby PG&E receives funding from CEC to implement a pilot demand responsiveness system for targeted non-residential customers to provide 35 MW of peak electricity demand savings in response to curtailment events.²¹ In 2001 and 2002, PG&E utilized the CEC funding to offset the costs incurred by PG&E to implement the interruptible load management program. In 2001, excess funding amounted to \$148,000, and in 2002, it was \$1,104,000. Energy

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ Source: PG&E Preliminary Statement, Schedule E-DBP

²⁰ See Page 14, Section B

²¹ AB 970

Division sampled 100% of the total Excess CEC funding received by PG&E. PG&E's records showed proper support and documentation.

B. The Commission allowed the utilities to include ILPMA interest costs

Decision 01-04-006 stated that each respondent utility may include interest on the balance of ILPMA. PG&E computed interest related to each ILMP as reported in AEAP for 2002, 2003, and 2004. PG&E conformed to the method of computing interest per its ILPMA Preliminary Statement BX. The Statement states that a debit entry shall be made each month that is "equal to the interest on the average of the balance at the beginning of the month and the [ending] balance after [adjustments] at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor. PG&E used this methodology in all of its filing with the Commission. Total interest computed is shown on Exhibit IV-1. A complete schedule is included in Appendix B.

C. The utilities are allowed to receive revenues from penalties

PG&E did not receive revenues from penalties in 2001 through 2003. Penalties are imposed on PG&E participants who failed to reduce load to their Firm Service Levels (FSL) when requested under the terms of PG&E and Participant's contract.

IV. Summary of Audit Results

A. PG&E's total ILPMA interest for years 2001, 2002, and 2003 amounted to \$53,857. Audit adjustments increased PG&E's claimed interest by \$24,449. The adjusted interest that PG&E should recover is \$78,306.

PG&E included interest in their ILPMA incremental costs recovery requests filed in its AEAPs. Interest costs for calendar years 2001, 2002, and 2003 were not specified as part of the recovery requests filed in PG&E's 2002, 2003, and 2004 AEAPs, although PG&E presented interest schedules in their AEAPs. PG&E did not compute accrued interest in year 2003 for incremental costs related to years 2001 and 2002, but PG&E computed interest for incremental costs incurred in 2003. Energy Division included the accrued interest excluded by PG&E as part of its 2003 incremental costs. See Exhibit IV-1 below.

**Exhibit IV-1: The Commission should allow PG&E to recover interest amounting to \$78,306 for years 2001, 2002, and 2003
(In Dollars)**

	2001	2002	2003	Total
PG&E Interest (Note 1) – Associated with:				
2001 Program Costs	19,748	23,109	0	42,857
2002 Program Costs		7,000	0	7,000
2003 Program Costs			4,000	4,000
Total per PG&E	19,748	30,109	4,000	53,857
Per Audit – Associated with:				
2001 Program Costs	21,925	22,378	14,933	59,236
2002 Program Costs		7,183	8,514	15,697
2003 Program Costs			3,373	3,373
Total per Audit	21,925	29,561	26,820	78,306

Note 1: PG&E did not include interest for 2001, 2002, and 2003.

Complete schedules showing the computation of ILPMA interest for 2001, 2002, and 2003 are shown in Appendix B.

B. PG&E's labor costs were 81% of the total ILMP incremental costs incurred in years 2001, 2002, and 2003. PG&E claimed incentive payments paid to ILMP participants via PG&E's bankruptcy settlement proceeding instead of AEAP filings.

PG&E requested recovery of incremental costs recorded in their ILPMA. Total incremental costs for 2001, 2002, and 2003 as filed were \$2,440,064 plus interest of \$53,857 or a total of \$2,493,921. PG&E's incremental costs included: (1) labor costs, (2) non-labor costs (e.g. software or applications, printing of marketing material, postages, design, administration costs, and notification services, etc.), (3) circuit reconfigurations, and (4) Interest.

Although, PG&E incurred incentive payments to participants who curtailed their energy usage when requested, and PG&E reduced the customers' bills by the incentive credits, PG&E did not include the incentive credits as incremental costs subject to recovery request. Instead, the incremental costs were treated as costs embedded in the TRA during PG&E's bankruptcy proceedings. PG&E's total incentive credits for 2001, 2002, and 2003 were \$952,963. These incentive credits relate mostly to PG&E's Base Interruptible Program (BIP).

PG&E kept their records of incremental costs by interruptible load management program. PG&E maintained nine (9) ILMP activities as discussed in Section III of this report.

Audit results showed that PG&E's incremental labor costs were 81% of the total incremental costs for years 2001-2003. Labor costs include those costs related to the performance of interruptible load management related incidental costs.

Energy Division sampled and examined each ILMP activity. PG&E provided a summary and detail of each program's incremental costs, which was our basis in requesting supporting documents. Our audit sampled an average of 75% of the total ILPMA incremental costs requested by PG&E. Except for minor items, we are satisfied with our examination of PG&E's records and found the sampled months to be in proper order. PG&E have a proper system of internal control in assuring that all transactions are recorded properly and accurately. PG&E maintained proper authorizations in their accounts payable system. PG&E's accounting system required several levels of review in determining that incremental costs were properly recognized and recorded.

B. PG&E claimed \$2,332,426 of incremental costs as recorded in its ILPMA for the years 2001 to 2003. PG&E included this amount in its computation of its Headroom Account for 2003 as required in their bankruptcy settlement proceeding per D. 03-12-035 dated December 18, 2003.

PG&E's Headroom Account was not covered in the audit of ILPMA but was included in PG&E's bankruptcy settlement proceedings. PG&E included ILPMA balance of \$2,332,426 for incremental costs incurred in 2001, 2002, and 2003 in the Headroom Account. A schedule of ILPMA as provided by PG&E's Corporate Accounting showed that the total ILPMA balance was \$2,419,809 as of December 31, 2003.²² However, PG&E only submitted \$2,332,426 of the ILPMA balance pertaining to incremental costs incurred in 2001, 2002, and August 2003 – December 2003 in their bankruptcy settlement proceedings. PG&E did not include \$87,381 relating to incremental costs incurred in January 2003 to July 2003. This amount is now being included as part of the total incremental costs that PG&E is requesting to recover.

PG&E will eventually file a true-up of its 2003 Headroom account, and PG&E should exclude any ILPMA balance unclaimed (i.e., January 2003 to July 2003 for \$87,381,000) in their true-up computation of 2003 Headroom Account. PG&E should continue to request recovery of ILPMA incremental costs incurred in 2004 and future years through their filings of AEAP reports.

C. Other audit findings determined during the course of the audit showed \$37,742 of invalid incremental costs that were included in PG&E's recovery request. This amount will reduce PG&E's total recovery request.

Incremental costs for Circuit Reconfigurations and Reconfiguration Studies amounted to \$277,384. PG&E spent about 61% on labor costs in 2001 and 2003. PG&E inadvertently included **\$29,865** as incremental costs that were already included in their 2003 GRC. Energy Division is reducing PG&E's total recovery request by this adjustment of \$29,865.

PG&E included incremental costs that were not supported by any documents relating to administrative and general expenses for **\$8,139**, and notification and mailings for **\$725**. These amounts are being disallowed from PG&E's recovery requests.

PG&E included incremental costs relating to CEC Funding for **\$987** that were included in their detailed incremental costs for year 2002 but were not reflected in PG&E's recovery request. We determined this cost to be valid and therefore, we are allowing PG&E to recover this amount.

Total audit adjustments to be disallowed amounted to **\$37,742** which comprised of: (\$29,865) - Circuit Reconfiguration; (\$8,139) – administrative and general expenses,

²² PG&E Corporate Accounting, ILPMA G/L#1823085 January 2001 through October 2004.
Refer to Appendix D.

and (\$725) – notification and mailing, and \$987 relating to CEC Funding. Refer to Appendix D, Page 3.

We are allowing PG&E to recover **\$148,202** representing the net ILPMA incremental costs incurred for years 2001, 2002, and 2003. Refer to Exhibit I-2 and Appendix D – Total Incremental Costs, page 3 of 8.

V. Audit Methodology

A. The Audit Scope was consistent with the requirements of D.03-08-028

Our examination and review of PG&E's ILPMA, accounting system, and records relating to incremental costs cover the period January 1, 2001 through December 31, 2003. The Commission per D.03-08-028 on August 21, 2003 ordered the Energy Division to conduct a reasonableness review of incremental costs recorded in PG&E's ILPMA for 2001. However, Energy Division extended the scope of the audit to year 2003 as approved by the Commission's Executive Director to allow PG&E recovery of incremental costs for 2001 through 2003.

The ILPMA Audit included: (1) reviewing Commission decisions and AEAP reports related to the Interruptible Load Management Program; (2) interviewing PG&E's ILMP personnel; (3) reviewing PG&E's accounting statements and records; (4) gathering information supporting recorded costs entries in ILPMA; (5) analyzing information for reasonableness; (6) applying audit programs and procedures including application of sampling methods, and (7) reporting the audit findings.

B. The audit programs and procedures were designed to assess the reasonableness of program costs and revenues in the ILPMA

The objective of the Energy Division's examination of PG&E's ILPMA is to assure the reasonableness of program costs and revenues recorded in the memorandum account. Program costs are incremental costs incurred by PG&E for years 2001 to 2003.

Audit findings showed that incremental costs were reasonable, properly recorded, and documented. Incremental costs are reasonable when the expenditures made were proper for a particular program, and when the expenditures were necessary and important in order to operate and promote the Interruptible Load Management programs.

Utilities are required to maintain adequate accounting records and support, and proper documentation of incremental costs spent to operate and promote the programs. Utilities are required to have a sound accounting system to separate the incremental costs by programs. It will be very difficult to determine the reasonableness of any incremental costs without a sound accounting system, good recordkeeping, adequate support, and proper documentation. Our audit sampled as many months possible and applied a thorough review of the incremental costs and PG&E records.

A complete audit program and procedures list is in Appendix E. Where applicable, audit procedures were applied in the audit of ILPMA.

C. The Audit relied on judgmental sampling

PG&E submitted incremental costs summaries for each month from January 2001 to December 2003. The Energy Division auditor requested detailed support for selected months by Interruptible Load Management Program. Judgmental sampling was used in choosing which months would be examined in detail. Transactions and supporting documentation in the sampled reports provided by PG&E were thoroughly examined.

The percentage of total amounts sampled compared to total amounts requested for recovery in years 2001 to 2003 was 75.18%. By program or activity, the percentage of sampled months' incremental costs compared to total incremental costs for years 2001 to 2003 is as follows:

• Circuit Configuration and Reconfiguration Studies	86.45%
• Mandatory Customer Notification/Mailing	95.86%
• Outbound Calling Program	68.41%
• Demand Bidding Program	77.05%
• Base Interruptible Program	88.03%
• Optional Binding Mandatory Curtailment Program	60.02%
• Scheduled Load Reduction Program	53.12%
• Voluntary Demand Response Program	62.94%
• Customer Program Admin. & General Expenses	64.30%
• Customer Program Admin. & General Expenses – Non-Firm Rates	52.32%
• CEC Excess Funding	100.00%

A detailed schedule showing how the percentages were derived is in Appendix C.

Appendix A

Acronyms:

AEAP	Annual Earnings Assessment Proceeding
BIP	Base Interruptible Program
CEC	California Energy Commission
CPUC	California Public Utilities Commission
CRCRS	Circuit Reconfiguration and Reconfiguration Studies
DBP	Demand Bidding Program
GRC	General Rate Case
FSL	Firm Service Levels
ILMP	Interruptible Load Management Program
ILPMA	Interruptible Load Management Program Memorandum Account
ISO	California Independent System Operator
MCNM	Mandatory Customer Notification / Mailings
OCP	Outbound Calling Program
OBMC	Optional Binding Mandatory Curtailment
PBIP	Pilot Base Interruptible Program
PG&E	Pacific Gas & Electric Company
POBMC	Pilot Optional Binding Mandatory Curtailment
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
TRA	Transition Revenue Account
VDRP	Voluntary Demand Response Program

Appendix B

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**PACIFIC GAS & ELECTRIC COMPANY
INTERESTS ON 2001 ILPMA EXPENDITURES**

Line No.		Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total
1	BOM Balance	0	(727)	(730)	(733)	241,480	616,219	890,512	1,056,905	1,193,740	1,208,329	1,291,524	1,384,837	
2	Total Costs	(725)	0	0	241,735	373,155	271,830	163,419	133,474	11,171	80,271	90,773	(100,588)	1,264,515
3	Cumulative Ending Balance (L1+L2)	0	(727)	(727)	241,002	614,635	888,049	1,053,931	1,190,379	1,204,911	1,288,600	1,382,297	1,284,249	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	(363)	(727)	(730)	120,134	428,058	752,134	972,222	1,123,642	1,199,326	1,248,465	1,336,910	1,334,543	
5	Interest Rate	6.34%	5.49%	5.14%	4.78%	4.44%	3.93%	3.67%	3.59%	3.42%	2.81%	2.28%	1.97%	
6	Interest Expense ((L4*L5)/12)	(2)	(3)	(3)	479	1,584	2,463	2,973	3,362	3,418	2,923	2,540	2,191	21,925
7	EOM Balance (L1+L2+L6)	(727)	(730)	(733)	241,480	616,219	890,512	1,056,905	1,193,740	1,208,329	1,291,524	1,384,837	1,286,440	1,286,440

Line No.		Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Total
1	BOM Balance	1,286,440	1,288,348	1,290,173	1,292,098	1,294,100	1,296,052	1,297,975	1,299,878	1,301,774	1,303,618	1,305,487	1,307,336	
2	Total Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Cumulative Ending Balance (L1+L2)	1,286,440	1,288,348	1,288,348	1,292,098	1,294,100	1,296,052	1,297,975	1,299,878	1,301,774	1,303,618	1,305,487	1,307,336	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	1,286,440	1,288,348	1,290,173	1,292,098	1,294,100	1,296,052	1,297,975	1,299,878	1,301,774	1,303,618	1,305,487	1,307,336	
5	Interest Rate	1.78%	1.70%	1.79%	1.86%	1.81%	1.78%	1.76%	1.75%	1.70%	1.72%	1.70%	1.36%	
6	Interest Expense	1,908	1,825	1,925	2,003	1,952	1,922	1,904	1,896	1,844	1,869	1,849	1,482	22,378
7	EOM Balance	1,288,348	1,290,173	1,292,098	1,294,100	1,296,052	1,297,975	1,299,878	1,301,774	1,303,618	1,305,487	1,307,336	1,308,818	22,378

Line No.		Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total
1	BOM Balance	1,308,818	1,310,247	1,311,622	1,313,000	1,314,302	1,315,616	1,316,921	1,318,029	1,319,138	1,320,282	1,321,426	1,322,582	
2	Total Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Cumulative Ending Balance (L1+L2)	1,308,818	1,310,247	1,310,247	1,313,000	1,314,302	1,315,616	1,316,921	1,318,029	1,319,138	1,320,282	1,321,426	1,322,582	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	1,308,818	1,310,247	1,311,622	1,313,000	1,314,302	1,315,616	1,316,921	1,318,029	1,319,138	1,320,282	1,321,426	1,322,582	
5	Interest Rate	1.31%	1.26%	1.26%	1.19%	1.20%	1.19%	1.01%	1.01%	1.04%	1.04%	1.05%	1.06%	
6	Interest Expense	1,429	1,376	1,377	1,302	1,314	1,305	1,108	1,109	1,143	1,144	1,156	1,168	14,933
7	EOM Balance	1,310,247	1,311,622	1,313,000	1,314,302	1,315,616	1,316,921	1,318,029	1,319,138	1,320,282	1,321,426	1,322,582	1,323,750	14,933

**PACIFIC GAS & ELECTRIC COMPANY
INTERESTS ON 2002 ILPMA EXPENDITURES**

Line No.		Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Total
1	BOM Balance	0	72,976	(13,436)	(82,894)	45,858	142,670	217,200	333,469	496,915	1,416,541	1,477,582	685,869	
2	Total Costs	72,922	(86,454)	(69,386)	128,780	96,670	74,263	115,866	162,841	918,271	58,969	(793,245)	59,534	739,031
3	Cumulative Ending Balance (L1+L2)	0	(13,478)	(82,864)	45,886	142,528	216,933	333,066	496,310	1,415,186	1,475,510	684,337	745,403	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	36,461	29,749	(48,129)	(18,504)	94,193	179,801	275,133	414,890	956,051	1,446,025	1,080,960	715,636	
5	Interest Rate	1.78%	1.70%	1.79%	1.86%	1.81%	1.78%	1.76%	1.75%	1.70%	1.72%	1.70%	1.36%	
6	Interest Expense	54	42	(72)	(29)	142	267	404	605	1,354	2,073	1,531	811	7,183
7	EOM Balance	72,976	(13,436)	(82,894)	45,858	142,670	217,200	333,469	496,915	1,416,541	1,477,582	685,869	746,214	746,214

Line No.		Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total
1	BOM Balance	746,214	747,028	747,813	748,598	749,340	750,089	750,833	751,465	752,098	752,750	753,402	754,061	
2	Total Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Cumulative Ending Balance (L1+L2)	746,214	747,028	747,028	748,598	749,340	750,089	750,833	751,465	752,098	752,750	753,402	754,061	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	746,214	747,028	747,813	748,598	749,340	750,089	750,833	751,465	752,098	752,750	753,402	754,061	
5	Interest Rate	1.31%	1.26%	1.26%	1.19%	1.20%	1.19%	1.01%	1.01%	1.04%	1.04%	1.05%	1.06%	
6	Interest Expense	815	784	785	742	749	744	632	632	652	652	659	666	8,514
7	EOM Balance	747,028	747,813	748,598	749,340	750,089	750,833	751,465	752,098	752,750	753,402	754,061	754,727	8,514

Line No.		Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total
1	BOM Balance	754,727	755,551	756,344	757,139	757,889	758,647	759,400	760,039	760,679	761,338	761,998	762,664	
2	Total Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Cumulative Ending Balance (L1+L2)	754,727	755,551	755,551	757,139	757,889	758,647	759,400	760,039	760,679	761,338	761,998	762,664	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	754,727	755,551	756,344	757,139	757,889	758,647	759,400	760,039	760,679	761,338	761,998	762,664	
5	Interest Rate	1.31%	1.26%	1.26%	1.19%	1.20%	1.19%	1.01%	1.01%	1.04%	1.04%	1.05%	1.06%	
6	Interest Expense	824	793	794	751	758	752	639	640	659	660	667	674	8,611
7	EOM Balance	755,551	756,344	757,139	757,889	758,647	759,400	760,039	760,679	761,338	761,998	762,664	763,338	8,611

**PACIFIC GAS & ELECTRIC COMPANY
INTERESTS ON 2002-2003 ILPMA EXPENDITURES**

Line No.		Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total
1	BOM Balance	0	5,528	8,958	18,064	113,810	196,081	232,788	281,374	300,603	318,600	352,847	383,633	
2	Total Costs	5,524	3,420	9,086	95,643	82,038	36,389	48,209	18,805	17,559	33,766	30,265	15,322	396,026
3	Cumulative Ending Balance (L1+L2)	0	8,948	18,034	113,707	195,848	232,470	280,997	300,179	318,162	352,366	383,112	398,955	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	2,762	7,238	13,501	65,886	154,829	214,276	256,892	290,776	309,382	335,483	367,979	391,294	
5	Interest Rate	1.78%	1.70%	1.79%	1.86%	1.81%	1.78%	1.76%	1.75%	1.70%	1.72%	1.70%	1.36%	
6	Interest Expense	4	10	20	102	234	318	377	424	438	481	521	443	3,373
7	EOM Balance	5,528	8,958	18,064	113,810	196,081	232,788	281,374	300,603	318,600	352,847	383,633	399,399	399,399

Line No.		Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total
1	BOM Balance	399,399	399,835	400,255	400,675	401,072	401,473	401,871	402,210	402,548	402,897	403,246	403,599	
2	Total Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Cumulative Ending Balance (L1+L2)	399,399	399,835	399,835	400,675	401,072	401,473	401,871	402,210	402,548	402,897	403,246	403,599	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	399,399	399,835	400,255	400,675	401,072	401,473	401,871	402,210	402,548	402,897	403,246	403,599	
5	Interest Rate	1.31%	1.26%	1.26%	1.19%	1.20%	1.19%	1.01%	1.01%	1.04%	1.04%	1.05%	1.06%	
6	Interest Expense	436	420	420	397	401	398	338	339	349	349	353	357	4,557
7	EOM Balance	399,835	400,255	400,675	401,072	401,473	401,871	402,210	402,548	402,897	403,246	403,599	403,956	4,557

APPENDIX - C

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PACIFIC GAS & ELECTRIC COMPANY
INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM ACCOUNT
PERCENTAGE OF SAMPLED DOCUMENTS VS. TOTAL EXPENSES
FOR THE YEARS 2001 - 2003

	January 2001-2003	February 2001-2003	March 2001-2003	April 2001-2003	May 2001 2003	June 2001-2003	July 2001-2003	August 2001-2003	September 2001-2003	October 2001-2003	November 2001-2003	December 2001-2003	Total Expenses	Total Sampled	Percent Sampled
Circuit Reconfiguration and Reconfiguration Studies															
Total Expenses	0	0	4,945	135,308	78,677	24,647	3,579	346	0	18	0	0	247,520		
Sampled	0	0	0	135,308	78,677	0	0	0	0	0	0	0		213,985	86.45%
Mandatory Customer Notification/Mailing															
Total Expenses	161	340	759	2,076	168,528	3,657	26,171	3,453	1,028	35	1,796	402	208,406		
Sampled	0	0	0	0	168,528	2,121	25,681	3,453	0	0	0	0		199,783	95.86%
Outbound Calling Program															
Total Expenses	4,440	10,323	20,917	5,850	5,310	121,903	34,300	119,284	59,027	29,242	4,209	58,099	472,904		
Sampled	0	0	20,917	0	0	97,830	0	101,784	59,027	0	0	43,949		323,507	68.41%
Demand Bidding Program (DBP)															
Total Expenses	14,009	8,070	18,006	9,565	9,663	10,340	63,357	58,125	(17,031)	30,108	63,128	11,920	279,260		
Sampled	14,009	0	18,006	0	0	10,340	63,357	47,705	0	0	61,747	0		215,164	77.05%
Base Interruptible Program (BIP)															
Total Expenses	31,588	(2,077)	14,379	88,617	100,682	33,668	32,527	37,184	844,904	19,828	7,843	3,220	1,212,363		
Sampled	31,588	0	0	67,663	100,682	0	0	15,001	832,458	19,828	0	0		1,067,220	88.03%
Optional Binding Mandatory Curtailment Program (OBMC)															
Total Expenses	24,395	17,991	16,058	75,617	84,319	78,722	70,884	44,315	28,515	31,201	22,399	20,399	514,815		
Sampled	24,395	17,991	16,058	71,543	84,319	0	60,974	8,285	0	25,405	0	0		308,970	60.02%
Scheduled Load Reduction Program (SLRP)															
Total Expenses	22	1,379	1,406	1,629	1,585	9,316	9,213	9,529	4,566	6,312	2,666	754	48,377		
Sampled	0	0	0	0	1,585	7,689	2,291	9,529	0	4,606	0	0		25,700	53.12%
Voluntary Demand Response Program (VDRP)															
Total Expenses	0	0	0	28,766	34,965	48,329	26,943	9,419	(1,107)	0	0	0	147,315		
Sampled	0	0	0	0	34,965	48,329	0	9,419	0	0	0	0		92,713	62.94%
Customer Prog. Admin. & General Expenses															
Total Expenses	0	23,343	1,135	84,083	11,416	16,801	12,311	14,678	9,540	838,368	(804,513)	12,576	219,738		
Sampled	0	23,343	0	84,083	0	0	0	0	0	838,368	(804,513)	0		141,281	64.30%
Customer Prog. Admin. & General Expenses - Non Firm Rates															
Total Expenses	5,524	3,420	4,141	34,098	56,718	35,099	48,209	18,787	17,559	33,748	30,265	15,322	302,890		
Sampled	0	0	0	0	51,558	29,819	13,724	17,948	0	33,748	0	11,678		158,475	52.32%
CEC Excess Funding															
Total Expenses	341	(145,823)	(142,046)	549	0	0	0	0	0	(815,854)	0	(148,424)	(1,251,257)		
Sampled	341	(145,823)	(142,046)	549	0	0	0	0	0	(815,854)	0	(148,424)		(1,251,257)	100.00%
TOTAL including CEC Excess Funding															
Total Expenses	80,480	(83,034)	(60,300)	466,158	551,863	382,482	327,494	315,120	947,001	173,006	(672,207)	(25,732)	2,402,331		
Sampled	70,333	(104,489)	(87,065)	359,146	520,314	196,128	166,027	213,124	891,485	106,101	(742,766)	(92,797)		1,495,541	62.25%
PERCENT SAMPLED	87.39%	125.84%	144.39%	77.04%	94.28%	51.28%	50.70%	67.63%	94.14%	61.33%	110.50%	360.63%	2,440,061 (37,730)		
TOTAL excluding CEC Excess Funding															
Total Expenses	80,139	62,789	81,746	465,609	551,863	382,482	327,494	315,120	947,001	988,860	(672,207)	122,692	3,653,588		
Sampled	69,992	41,334	54,981	358,597	520,314	196,128	166,027	213,124	891,485	921,955	(742,766)	55,627		2,746,798	75.18%
PERCENT SAMPLED	87.34%	65.83%	67.26%	77.02%	94.28%	51.28%	50.70%	67.63%	94.14%	93.23%	110.50%	45.34%			

PACIFIC GAS & ELECTRIC COMPANY
INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM ACCOUNT
PERCENTAGE OF SAMPLED DOCUMENTS VS. TOTAL EXPENSES
FOR THE YEAR 2001

	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total Expenses	Total Sampled	
Circuit Reconfiguration and Reconfiguration Studies															
Total Expenses	0	0	0	73,763	53,357	23,357	3,579	328	0	0	0	0	154,384		
Sampled	0	0	0	73,763	53,357	0	0	0	0	0	0	0		127,120	82.34%
Mandatory Customer Notification/Mailing															
Total Expenses	0	0	0	0	163,350	2,121	490	0	123	(199)	0	387	166,272		
Sampled	0	0	0	0	163,350	2,121	0	0	0	0	0	0		165,471	99.52%
Outbound Calling Program															
Total Expenses	0	0	0	0	0	97,830	4,500	17,500	0	14,150	0	14,150	148,130		
Sampled	0	0	0	0	0	97,830	0	0	0	0	0	0		97,830	66.04%
Demand Bidding Program (DBP)															
Total Expenses	0	0	0	0	0	0	46,995	47,705	(27,583)	21,719	61,747	11,621	162,204		
Sampled	0	0	0	0	0	0	46,995	47,705	0	0	61,747	0		156,447	96.45%
Base Interruptible Program (BIP)															
Total Expenses	0	0	0	67,663	47,342	21,969	13,016	15,001	12,446	14,590	6,317	2,184	200,528		
Sampled	0	0	0	67,663	47,342	0	0	15,001	0	14,590	0	0		144,596	72.11%
Optional Binding Mandatory Curtailment Program (OBMC)															
Total Expenses	0	0	0	71,543	74,141	70,535	60,974	36,030	24,259	25,405	20,081	19,039	402,007		
Sampled	0	0	0	71,543	74,141	0	60,974	0	0	25,405	0	0		232,063	57.73%
Scheduled Load Reduction Program (SLRP)															
Total Expenses	0	0	0	0	0	7,689	6,922	7,491	3,033	4,606	2,628	455	32,824		
Sampled	0	0	0	0	0	7,689	0	7,491	0	4,606	0	0		19,786	60.28%
Voluntary Demand Response Program (VDRP)															
Total Expenses	0	0	0	28,766	34,965	48,329	26,943	9,419	(1,107)	0	0	0	147,315		
Sampled	0	0	0	0	34,965	48,329	0	9,419	0	0	0	0		92,713	62.94%
Customer Prog. Admin. & General Expenses															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Customer Prog. Admin. & General Expenses - Non Firm Rates															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
CEC Excess Funding															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	(148,424)	(148,424)		
Sampled	0	0	0	0	0	0	0	0	0	0	0	(148,424)		(148,424)	100.00%
TOTAL including CEC Excess Funding															
Total Expenses	0	0	0	241,735	373,155	271,830	163,419	133,474	11,171	80,271	90,773	(100,588)	1,265,240		
Sampled	0	0	0	212,969	373,155	155,969	107,969	79,616	0	44,601	61,747	(148,424)		887,602	
PERCENT SAMPLED	0.00%	0.00%	0.00%	88.10%	100.00%	57.38%	66.07%	59.65%	0.00%	55.56%	68.02%	147.56%			70.15%
Total 2002 AEAP													1,265,964		
													(724)		
TOTAL excluding CEC Excess Funding															
Total Expenses	0	0	0	241,735	373,155	271,830	163,419	133,474	11,171	80,271	90,773	47,836	1,413,664		
Sampled	0	0	0	212,969	373,155	155,969	107,969	79,616	0	44,601	61,747	0		1,036,026	
PERCENT SAMPLED	0.00%	0.00%	0.00%	88.10%	100.00%	57.38%	66.07%	59.65%	0.00%	55.56%	68.02%	0.00%			73.29%

PACIFIC GAS & ELECTRIC COMPANY
INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM ACCOUNT
PERCENTAGE OF SAMPLED DOCUMENTS VS. TOTAL EXPENSES
FOR THE YEAR 2002

	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Total Expenses	Total Sampled	
Circuit Reconfiguration and Reconfiguration Studies															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Mandatory Customer Notification/Mailing															
Total Expenses	161	340	759	2,076	5,178	1,536	25,681	3,453	905	234	1,796	15	42,134		
Sampled	0	0	0	0	5,178	0	25,681	3,453	0	0	0	0		34,312	81.44%
Outbound Calling Program															
Total Expenses	4,440	10,323	20,917	5,850	5,310	24,073	29,800	101,784	59,027	15,092	4,209	43,949	324,774		
Sampled	0	0	20,917	0	0	0	0	101,784	59,027	0	0	43,949		225,677	69.49%
Demand Bidding Program (DBP)															
Total Expenses	14,009	8,070	18,006	9,565	9,663	10,340	16,362	10,420	10,552	8,389	1,381	299	117,056		
Sampled	14,009	0	18,006	0	0	10,340	16,362	0	0	0	0	0		58,717	50.16%
Base Interruptible Program (BIP)															
Total Expenses	31,588	(2,077)	14,379	20,954	53,340	11,699	19,511	22,183	832,458	5,238	1,526	1,036	1,011,835		
Sampled	31,588	0	0	0	53,340	0	0	0	832,458	5,238	0	0		922,624	91.18%
Optional Binding Mandatory Curtailment Program (OBMC)															
Total Expenses	24,395	17,991	16,058	4,074	10,178	8,187	9,910	8,285	4,256	5,796	2,318	1,360	112,808		
Sampled	24,395	17,991	16,058	0	10,178	0	0	8,285	0	0	0	0		76,907	68.18%
Scheduled Load Reduction Program (SLRP)															
Total Expenses	22	1,379	1,406	1,629	1,585	1,627	2,291	2,038	1,533	1,706	38	299	15,553		
Sampled	0	0	0	0	1,585	0	2,291	2,038	0	0	0	0		5,914	38.02%
Voluntary Demand Response Program (VDRP)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Customer Prog. Admin. & General Expenses															
Total Expenses	0	23,343	1,135	84,083	11,416	16,801	12,311	14,678	9,540	838,368	(804,513)	12,576	219,738		
Sampled	0	23,343	0	84,083	0	0	0	0	0	838,368	(804,513)	0		141,281	64.30%
Customer Prog. Admin. & General Expenses - Non Firm Operating Costs															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
CEC Excess Funding															
Total Expenses	341	(145,823)	(142,046)	549	0	0	0	0	0	(815,854)	0	0	(1,102,834)		
Sampled	341	(145,823)	(142,046)	549	0	0	0	0	0	(815,854)	0	0		(1,102,833)	100.00%
TOTAL including CEC Excess Funding															
Total Expenses	74,956	(86,454)	(69,386)	128,780	96,670	74,263	115,866	162,841	918,271	58,969	(793,245)	59,534	741,065		
Sampled	70,333	(104,489)	(87,065)	84,632	70,281	10,340	44,334	115,560	891,485	27,752	(804,513)	43,949		362,599	
PERCENT SAMPLED	93.83%	120.86%	125.48%	65.72%	72.70%	13.92%	38.26%	70.96%	97.08%	47.06%	101.42%	73.82%			48.93%
Total 2003 AEAP													743,097		
													(2,032)		
TOTAL excluding CEC Excess Funding															
Total Expenses	74,615	59,369	72,660	128,231	96,670	74,263	115,866	162,841	918,271	874,823	(793,245)	59,534	1,843,898		
Sampled	69,992	41,334	54,981	84,083	70,281	10,340	44,334	115,560	891,485	843,606	(804,513)	43,949		1,465,432	
PERCENT SAMPLED	0.00%	0.00%	0.00%	65.57%	72.70%	13.92%	38.26%	70.96%	97.08%	96.43%	101.42%	73.82%			79.47%

PACIFIC GAS & ELECTRIC COMPANY
INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM ACCOUNT
PERCENTAGE OF SAMPLED DOCUMENTS VS. TOTAL EXPENSES
FOR THE YEAR 2003

	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total Expenses	Total Sampled	
Circuit Reconfiguration and Reconfiguration Studies															
Total Expenses	0	0	4,945	61,545	25,320	1,290	0	18	0	18	0	0	93,136		
Sampled	0	0	0	61,545	25,320	0	0	0	0	0	0	0		86,865	93.27%
Mandatory Customer Notification/Mailing															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Outbound Calling Program															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Demand Bidding Program (DBP)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Base Interruptible Program (BIP)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Optional Binding Mandatory Curtailment Program (OBMC)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Scheduled Load Reduction Program (SLRP)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Voluntary Demand Response Program (VDRP)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Customer Prog. Admin. & General Expenses															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Total Customer Prog. Admin. & General Expenses - Non Firm Rates (2002 & 2003)															
Total Expenses	5,524	3,420	4,141	34,098	56,718	35,099	48,209	18,787	17,559	33,748	30,265	15,322	302,890		
Sampled	0	0	0	0	51,558	29,819	13,724	17,948	0	33,748	0	11,678		158,475	52.32%
CEC Excess Funding															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
TOTAL including CEC Excess Funding															
Total Expenses	5,524	3,420	9,086	95,643	82,038	36,389	48,209	18,805	17,559	33,766	30,265	15,322	396,026		
Sampled	0	0	0	61,545	76,878	29,819	13,724	17,948	0	33,748	0	11,678		245,340	
PERCENT SAMPLED	0.00%	0.00%	0.00%	64.35%	93.71%	81.95%	28.47%	95.44%	0.00%	99.95%	0.00%	76.22%			61.95%
Total 2004 AEAP													431,000		
													(34,974)		
TOTAL excluding CEC Excess Funding															
Total Expenses	5,524	3,420	9,086	95,643	82,038	36,389	48,209	18,805	17,559	33,766	30,265	15,322	396,026		

PACIFIC GAS & ELECTRIC COMPANY
 INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM ACCOUNT
 PERCENTAGE OF SAMPLED DOCUMENTS VS. TOTAL EXPENSES
 FOR THE YEAR 2003

	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total Expenses	Total Sampled
#REF!														
TOTAL excluding CEC Excess Funding														
Total Expenses	5,524	3,420	9,086	95,643	82,038	36,389	48,209	18,805	17,559	33,766	30,265	15,322	396,026	
Sampled	0	0	0	61,545	76,878	29,819	13,724	17,948	0	33,748	0	11,678		245,340
PERCENT SAMPLED	0.00%	0.00%	0.00%	64.35%	93.71%	81.95%	28.47%	95.44%	0.00%	99.95%	0.00%	76.22%		61.95%
Customer Prog. Admin. & General Expenses - Non Firm Rates (2003)														
Total Expenses	5,524	3,420	4,141	6,623	5,160	5,280	13,724	17,948	10,906	18,562	22,746	11,678	125,712	
Sampled	0	0	0	0	0	0	13,724	17,948	0	18,562	0	11,678		61,912
Customer Prog. Admin. & General Expenses - Non Firm Rates (2002)														
Total Expenses	0	0	0	27,475	51,558	29,819	34,485	839	6,653	15,186	7,519	3,644	177,178	
Sampled	0	0	0	0	51,558	29,819	0	0	0	15,186	0	0		96,563
Total Customer Prog. Admin. & General Expenses - Non Firm Rates														
Total Expenses	5,524	3,420	4,141	34,098	56,718	35,099	48,209	18,787	17,559	33,748	30,265	15,322	302,890	
Sampled	0	0	0	0	51,558	29,819	13,724	17,948	0	33,748	0	11,678		158,475

APPENDIX - D

	Page
A. Total Incremental Costs	1
B. Non-Labor Incremental Costs	4
C. Headroom Account	5

PACIFIC GAS & ELECTRIC COMPANY
INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM ACCOUNT
FOR YEARS 2001, 2002 AND 2003

Circuit Reconfiguration and Studies

	2001	2002	2003	TOTAL
Labor	154,384	0	13,785	168,169
Non-Labor	0	0	109,215	109,215
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	154,384	0	123,000	277,384
Percent of Labor to Total Cost				60.63%
Percent of Non-Labor to Total Cost				39.37%

Mandatory Customer Notifications/Mailing

	2001	2002	2003	TOTAL
Labor	0	0	0	0
Non-Labor	166,997	42,134	0	209,131
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	166,997	42,134	0	209,131
Percent of Labor to Total Cost				0.00%
Percent of Non-Labor to Total Cost				100.00%

Outbound Calling Program

	2001	2002	2003	TOTAL
Labor	0	227,629	0	227,629
Non-Labor	148,130	97,143	0	245,273
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	148,130	324,772	0	472,902
Percent of Labor to Total Cost				48.13%
Percent of Non-Labor to Total Cost				51.87%

Customer Program Administrative & General Expenses

	2001	2002	2003	TOTAL
Labor	0	222,759	302,888	525,647
Non-Labor	0	0	0	0
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	0	222,759	302,888	525,647
Percent of Labor to Total Cost				100.00%
Percent of Non-Labor to Total Cost				0.00%

Demand Bidding Program

	2001	2002	2003	TOTAL
Labor	162,203	117,055	0	279,258
Non-Labor	0	0	0	0
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	162,203	117,055	0	279,258
Percent of Labor to Total Cost				100.00%
Percent of Non-Labor to Total Cost				0.00%

PACIFIC GAS & ELECTRIC COMPANY
INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM ACCOUNT
FOR YEARS 2001, 2002 AND 2003

Scheduled Load Reduction Programs

	2001	2002	2003	TOTAL
Labor	32,825	15,552	0	48,377
Non-Labor	0	0	0	0
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	32,825	15,552	0	48,377
Percent of Labor to Total Cost				100.00%
Percent of Non-Labor to Total Cost				0.00%

Base Interruptible Program

	2001	2002	2003	TOTAL
Labor	200,526	195,981	0	396,507
Non-Labor	0	0	0	0
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	200,526	195,981	0	396,507
Percent of Labor to Total Cost				100.00%
Percent of Non-Labor to Total Cost				0.00%

Optional Bidding Mandatory Curtailment Program

	2001	2002	2003	TOTAL
Labor	402,006	(175,060)	0	226,946
Non-Labor	0	0	0	0
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	402,006	(175,060)	0	226,946
Percent of Labor to Total Cost				100.00%
Percent of Non-Labor to Total Cost				0.00%

Voluntary Demand Response Program

	2001	2002	2003	TOTAL
Labor	147,315	0	0	147,315
Non-Labor	0	0	0	0
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	147,315	0	0	147,315
Percent of Labor to Total Cost				100.00%
Percent of Non-Labor to Total Cost				0.00%

CEC Funding

	2001	2002	2003	TOTAL
Labor	0	(98)	0	(98)
Non-Labor	(148,423)	0	5,118	(143,305)
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request	(148,423)	(98)	5,118	(143,403)
Percent of Labor to Total Cost				0.07%
Percent of Non-Labor to Total Cost				99.93%

PACIFIC GAS & ELECTRIC COMPANY
INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM ACCOUNT
FOR YEARS 2001, 2002 AND 2003

	2001	2002	2003	TOTAL
ILPMA Overall Requests				
Labor	1,099,259	603,818	316,673	2,019,750
Non-Labor	166,704	139,277	114,333	420,314
Incentive Payments	0	0	0	0
Less: Revenues from Penalties	0	0	0	0
Total Request before Interest	1,265,963	743,095	431,006	2,440,064
ILPMA Interests:				
2001 in 2001 (per 2002 AEAP)	19,748			19,748
2001 in 2002 (per 2002 AEAP)		23,109		23,109
2001 in 2003			0	0
2002 in 2002 (per 2003 AEAP)		7,000		7,000
2002 in 2003			0	0
2003 in 2003 (per 2004 AEAP)			4,000	4,000
	19,748	30,109	4,000	53,857
Total Incremental Costs before audit adjustments	1,285,711	773,204	435,006	2,493,921
Percent of Labor to Total Cost				80.99%
Percent of Non-Labor to Total Cost				16.85%
Audit Adjustments: (Note 1)				
Circuit Reconfiguration & Studies			(29,865)	(29,865)
Administrative & General Expenses		(3,021)	(5,118)	(8,139)
CEC Funding		987		987
Notifications & Mailings	(725)			(725)
Total Audit Adjustments	(725)	(2,034)	(34,983)	(37,742)
Total Incremental Costs before Interests	1,284,986	771,170	400,023	2,456,179
Interests: (See Appendix B)				
2001 in 2001: Per Recovery Request	19,748			
2001 in 2001: Per Audit (Note 2)	21,925	2,177		2,177
2001 in 2002: Per Recovery Request	23,109			
2001 in 2002: Per Audit	22,378	(731)		(731)
2001 in 2003: Per Recovery Request	0			
2001 in 2003: Per Audit	14,933		14,933	14,933
2002 in 2002: Per Recovery Request	7,000			
2002 in 2002: Per Audit (Note 2)	7,183	183		183
2002 in 2003: Per Recovery Request	0			
2002 in 2003: Per Audit	8,514		8,514	8,514
2003 in 2003: Per Recovery Request	4,000			
2003 in 2003: Per Audit (Note 2)	3,373		(627)	(627)
Total Interest per Recover Request	53,857			
Total Interest per Audit	78,306			
Total Interest Adjustment	24,449			
Total Interest adjustments	2,177	(548)	22,820	24,449
Total Incremental Costs Before Headroom Adjustment	1,287,163	770,622	422,843	2,480,628
Headroom Account (including interest costs)	(1,287,929)	(878,312)	(166,185)	(2,332,426)
INCREMENTAL COSTS ALLOWED TO BE RECOVERED	(766)	(107,690)	256,658	148,202

Note 1 - Accepted Detailed Report submitted. No support shown for AEAP.

Note 2 - Audit Adjustments included in the computation of interests.

PACIFIC GAS & ELECTRIC COMPANY
 INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM ACCOUNT
 INCREMENTAL NON-LABOR COSTS
 FOR YEARS 2001, 2002 AND 2003

	2001	2002	2003	TOTAL
Total Non Labor Costs				
Circuit Reconfiguration and Reconfiguration Studies				
Construction	0	0	0	0
Consult Services-Comp.	0	0	79,350	79,350
Engineering/Mapping	0	0	0	0
Management Services	0	0	0	0
Others	0	0	29,865	29,865
Maintain & Operate Services	0	0	0	0
Total Non-Labor Costs	0	0	109,215	109,215
Mandatory Customer Notification/Mailing				
Reprographics	1,279	1,375	0	2,654
Bill Processing	0	188	0	188
Print Materials, Signs & Sup.	0	896	0	896
Material Burden	0	90	0	90
Consulting Services	0	5,163	0	5,163
Contracts	0	25,475	0	25,475
Others	725	0	0	725
Postage	999	8,947	0	9,946
Building-utilities	644	0	0	644
Commerce Printing Services	163,350	0	0	163,350
Total Non-Labor Costs	166,997	42,134	0	209,131
Outbound Calling Program				
Technical Services	0	413	0	413
Consulting Services	0	96,705	0	96,705
Meal Expense	0	25	0	25
Envoy Contract Services	148,130	0	0	148,130
Total Non-Labor Costs	148,130	97,143	0	148,130
CEC Funding				
ISO DRP (RAS)	242,760	0	0	242,760
CEC	493,740	0	5,118	498,858
Silicon Energy Project	79,078	0	0	79,078
Load Management Admin	133,293	0	0	133,293
E-BIP not Funded by Request	46,096	0	0	46,096
CEC Funding Credits	(1,143,389)	0	0	(1,143,389)
	(148,422)	0	5,118	(143,304)
Total Non-labor Incremental Costs	166,705	139,277	114,333	323,172

**PACIFIC GAS AND ELECTRIC COMPANY
Headroom Audit
Advice Letter 2555-G/2521-E
Data Response**

PG&E Data Request No.:	ED 004-01		
PG&E File Name:	HeadroomAudit DR ED 004-01		
		Requester DR No.:	JO4
Date Sent:	November 5, 2004	Requesting Party:	Energy Division
PG&E Witness:	Karen Forsgard	Requester:	Jerry Oh

QUESTION 1

Please provide supporting documentation from PG&E's accounting system for the amounts shown on lines 2 through 16 of Attachment 1, "2003 Headroom Calculation", to the June 14, 2004, headroom Advice Letter 2555-G/2521-E.

ANSWER 1

Attachment ED_004-01-1 provides the requested supporting documentation. Please note that the referenced amounts on Attachment 1 show 2003 activity levels, i.e., the difference between the December 31, 2003, end-of-year balances less the January 1, 2003, beginning-of-year balances in the Headroom Account. Thus, the supporting documentation presents the activity in the Headroom Account for each line item for the entire year 2003.

Attachment 1
Pacific Gas and Electric Company
2003 Headroom Calculation
As of December 31, 2003, With Updated Data*
(Millions of Dollars - Parentheses Denote Reductions to Headroom)

Page 1

Line	Description	2003.00000000
1	Transition Cost Balance Activity (Pre-Tax)	
2	Transition Revenue Account (TRA)	-3754.36223871
3	Transition Cost Balancing Account (TCBA)	-459.17427701
4	Generation Asset Balancing Account (GABA)	26.23941328
5	Generation Memo Accounts (GMA)	1712.84869438
6	Energy Resource Recovery Account (ERRA)	142.83118806
7	Self-Generation Program Memo Account (SGPMA)	19.19104051
8	Demand Responsiveness Program Memo Account (DRPMA)	3.26787941
9	Net Energy Metering Memo Account (NEMMA)	1.40464589
10	Interruptible Load Programs Memo Account (ILPMA)	0.16618472
11	Capital Audit Consultant Cost Memo Account (CACCMA)	0.20349469
12	Real Time Energy Metering Memo Account (RTEMMA)	-0.09019946
13	DWR/ISO Balancing Account Activity	-69.25740475
14	Divestiture Costs	27.90000000
15	Advanced Metering And Demand Response Account (AMDRA)	5.48285276
16	Distributed Energy Resource Energy Account (DERMA)	0.45241829
17	Subtotal Transition Cost Balance Activity (pre-tax) (To Line 31)	-2342.89632584
18	2003 GRC Decision Adjustments (Pre-Tax)	
19	2003 GRC Distribution RRQ Adjustment	200.0
20	2003 GRC Generation RRQ Adjustment	78.6
21	2003 GRC Diablo Canyon Property Tax Reserve	(8.1)
22	2003 GRC Humboldt SAFSTOR RRQ Increase	0.5
23	Subtotal GRC Decision Adjustments (To Line 32)	273.0
24	Additional Generation Asset Accounting Impacts (Pre-Tax)	
25	New "Plant" Asset	2,098.8
26	Amortization of New "Plant" Asset	(601.6)
27	New Regulatory Asset	120.8
28	Amortization of New Regulatory Asset	(56.4)
29	Subtotal Additional Generation Asset Accounting Impacts (To Line 33)	1,561.6
30	HEADROOM CALCULATION	
31	Transition Cost Balance Activity (pre-tax) (From Line 17)	(2,342.9)
32	2003 GRC Decision Adjustments (pre-tax) (From Line 23)	273.0
33	Additional Generation Asset Accounting Impacts (pre-tax) (From Line 29)	1,561.6
34	DWR Accrual Due to Change in Methodology	(341.4)
35	FERC TO (Transmission Owner Case) 1 2 and 3 Transfer	(32.1)
36	Bilateral Reserve	(28.1)
37	Reversal of Interest Accrued in Transition Cost Balancing Accounts	(33.6)
38	Utility Retained Generation (URG) Adjustment	(171.3)
39	GRC Rehearing (1999 GRC)	111.0
40	Gain on Settlement with DA Service Providers: Reclass to Reg Asset	11.0
41	Enron Bilateral Settlement	(17.6)
42	Mirant Bilateral Settlement	0.8
43	WAPA Capacity Revenue Adjustment	66.5
44	Interest on Nuclear Decommissioning Trust	(0.7)
45	Grizzly Power Sale	(59.7)
46	WAPA Regulation Credits - 2003 Beginning Balance Adjustment	15.6
47	WAPA FERC Rate Change Adjustment	1.5
48	Direct Access CRS Undercollection Accrual	(3.4)
49	2002 UGBA Audit Adjustment	(9.2)
50	Other	3.8
51	Pre-tax Adjusted Headroom	(993.2)
52	Less Headroom Limit	(875.0)
53	2003 Headroom Account (HA) Regulatory Liability	(118.2)
54	2004 Headroom Account (HA) Entries	2004
55	2004 Beginning of Year HA Balance (from Line 53)	(118.2)
56	Post-Retirement Benefits Other than Pension (PBOP) True-up	(51.8)
57	FERC TO3 Retail Refund	(7.2)
58	FERC TO6 Retail Refund	(5.1)
59	Total HA Regulatory Liability In 2004	(182.3)

* This table uses the format from page 1 of Exhibit 120B in 1.02-04-026, dated September 23 2003, updated for: 1) end-of-year 2003 data; 2) the 2003 GRC Decision 04-05-055; and 3) certain additional adjustments not included in Exhibit 120B.

PACIFIC GAS AND ELECTRIC COMPANY
CORPORATE ACCOUNTING
Interruptible Load Programs Memorandum Account (ILPMA)
G/L# 1823085

Month	[1] Recorded	[2] Revised	[1F(2=, 1,2) Costs for Period	Interest Rate	Interest Amt	Monthly Balance	Prior Period Adjusted Accumulated Balance	SAP Balance
			0.00				0.00	
Jan-01			0.00	6.34%	0.00	0.00	0.00	
Feb-01			0.00	5.49%	0.00	0.00	0.00	
Mar-01			0.00	5.14%	0.00	0.00	0.00	
Apr-01	241,735.00		241,735.00	4.78%	481.46	242,216.46	242,216.46	
May-01	373,154.00		373,154.00	4.44%	1,586.54	374,740.54	816,957.00	
Jun-01	272,555.00		272,555.00	3.93%	2,466.84	275,021.84	891,978.84	
Jul-01	163,419.00		163,419.00	3.67%	2,977.86	166,396.86	1,058,375.70	
Aug-01	133,474.00		133,474.00	3.59%	3,365.96	136,839.96	1,195,215.86	
Sep-01	11,171.00		11,171.00	3.42%	3,422.28	14,593.28	1,209,808.94	
Oct-01	80,271.00		80,271.00	2.81%	2,926.95	83,197.95	1,293,006.89	
Nov-01	90,773.00		90,773.00	2.28%	2,542.95	93,315.95	1,386,322.84	
Dec-01	(100,587.00)		(100,587.00)	1.97%	2,193.31	(98,393.69)	1,287,929.15	
Jan-02	160,727.61		160,727.61	1.78%	2,029.63	162,757.24	1,450,686.39	
Feb-02	(81,362.78)		(81,362.78)	1.70%	1,997.51	(79,365.27)	1,371,321.12	
Mar-02	6,073.48		6,073.48	1.79%	2,050.08	8,123.56	1,379,444.68	
Apr-02	186,187.44		186,187.44	1.86%	2,282.43	188,469.87	1,567,914.55	
May-02	120,460.39		120,460.39	1.81%	2,455.78	122,916.17	1,690,830.72	
Jun-02	(119,639.09)		(119,639.09)	1.78%	2,419.33	(117,219.76)	1,573,610.96	
Jul-02	142,415.38		142,415.38	1.76%	2,412.40	144,827.76	1,718,438.72	
Aug-02	160,762.33		160,762.33	1.75%	2,623.28	163,385.61	1,881,824.33	
Sep-02	932,949.97		932,949.97	1.70%	3,326.76	936,276.73	2,818,101.06	
Oct-02	61,896.30		61,896.30	1.72%	4,083.84	65,979.94	2,884,081.00	
Nov-02	(787,228.02)		(787,228.02)	1.70%	3,528.16	(783,699.86)	2,100,381.14	
Dec-02	63,445.84		63,445.84	1.36%	2,416.38	65,862.22	2,166,243.36	
Jan-03	17,486.56	(0.02)	17,486.56	1.31%	2,374.36	19,860.94	2,186,104.30	
Feb-03	18,060.88		18,060.88	1.26%	2,304.89	20,365.77	2,206,470.07	
Mar-03	21,307.76		21,307.76	1.25%	2,309.50	23,617.26	2,230,087.33	
Apr-03	14,113.25		14,113.25	1.19%	2,218.50	16,331.75	2,246,419.08	
May-03	11,496.10		11,496.10	1.20%	2,252.17	13,748.27	2,260,167.35	
Jun-03	(27,933.64)		(27,933.64)	1.19%	2,227.48	(25,706.16)	2,234,461.19	
Jul-03	17,275.00		17,275.00	1.01%	1,887.94	19,162.94	2,253,624.13	
Aug-03	38,911.15		38,911.15	1.01%	1,913.18	40,824.33	2,294,448.46	
Sep-03	37,064.01		37,064.01	1.04%	2,004.58	39,068.59	2,333,517.05	
Oct-03	45,867.52		45,867.52	1.04%	2,042.26	47,909.78	2,381,426.83	
Nov-03	23,713.14		23,713.14	1.05%	2,094.12	25,807.26	2,407,234.09	
Dec-03	10,443.76		10,443.76	1.06%	2,131.00	12,574.76	2,419,808.85	
			2,340,459.34		79,349.51	2,419,808.85	(2,419,808.85)	
						Balance Written off per PAR	0.00	
Jan-04	14,394.45		14,394.45	1.05%	8.30	14,400.75	14,400.75	
Feb-04	23,717.14		23,717.14	1.01%	22.10	23,739.24	38,139.99	
Mar-04	28,216.13		28,216.13	1.01%	43.98	28,260.11	66,400.10	
Apr-04	30,873.12		30,873.12	1.00%	68.20	30,941.32	97,341.42	
May-04	22,691.15		22,691.15	1.05%	95.10	22,786.25	120,127.67	
Jun-04	24,192.96		24,192.96	1.07%	117.90	24,310.86	144,438.53	
Jul-04	17,275.98		17,275.98	1.34%	170.94	17,446.90	161,885.43	
Aug-04	30,873.12	34,937.83	34,937.83	1.50%	224.19	35,162.02	197,047.45	192,980.20
Sep-04	25,761.16		25,761.16	1.62%	283.40	26,044.56	223,092.01	
Oct-04	13,228.24		13,228.24	1.75%	334.99	13,563.23	236,655.24	
Nov-04			0.00					
Dec-04			0.00					
			235,288.14		1,367.10	236,655.24		
Cumulatively booking Total			222,059.90		1,032.11	223,092.01		
Diff. (Current Booking Amt.)			13,228.24		334.99	13,563.23		

Note: The purpose of the Interruptible Load Programs Memorandum Account (ILPMA) is to record costs incurred by PG&E to implement and administer new interruptible load and rotating outage programs during calendar years 2001 and 2002, where these costs are in excess of the costs authorized in current rates but represent new expenditures or activities that PG&E has been ordered to undertake pursuant to CPUC Decision (D.) 01-04-005.

When Chapter 4 of the 2002 Annual Earnings Assessment Proceeding (AEAP) was updated, the 2001 ILPMA request costs was adjusted to increase to \$1,285,964, as agreed to the table provided by Kevin Ernst.
 Greg Backers is the designated ILPMA account manager for 2002, as agreed by Jay Luo and Garth Johnson (RRQ). Greg provides the orders for 2002.

ILPMA Balance as of Dec. 31, 2003 was written off as direct by PAR decision. This balance was simultaneously offset by the reversal of the reserve for this account. ILPMA reserve balance as of March 31, 2004 was also reversed and no further reserve was deemed necessary.

Dr/Cr	SAP#	Description	Amount	Cost Ctr.
40	1823085	ILPMA	13,563.23	
50	4103030	Int Inc Othr	334.99	10610
50	5010390	BA exp. Defr.	13,228.24	11791
Balance Check			0	

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2003 ILPMA Subledger

#2

LINE 70

G/L account 1823085 BA - ILPMA
 Company code PGE1 Pacific Gas & Electric Co
 Business area
 Fiscal year 2003

All documents in currency * Displ. currency USD

Period	Debit	Credit	Balance	Cum. balance
Balance Carryforward				2,166,243.38
1	19,860.92		19,860.92	2,186,104.30
2	20,365.77		20,365.77	2,206,470.07
3	23,617.26		23,617.26	2,230,087.33
4	16,331.75		16,331.75	2,246,419.08
5	13,748.27		13,748.27	2,260,167.35
6		25,706.16	25,706.16-	2,234,461.19
7	19,162.94		19,162.94	2,253,624.13
8	40,824.33		40,824.33	2,294,448.46
9	39,068.59		39,068.59	2,333,517.05
10	47,909.78		47,909.78	2,381,426.83
11	25,807.26		25,807.26	2,407,234.09
12	12,574.76		12,574.76	2,419,808.85
13				2,419,808.85
14				2,419,808.85
15				2,419,808.85
16			#2	2,419,808.85
Total	279,271.63	25,706.16	253,565.47 ✓	2,419,808.85

Appendix – E

PG&E – ILPMA Audit Program and Procedures

**PACIFIC GAS & ELECTRIC COMPANY
INTERRUPTIBLE LOAD MANAGEMENT PROGRAM MEMORANDUM
ACCOUNT
AUDIT PROGRAM FIELD WORK – ACCOUNTING**

Audit Objective

To assure reasonableness of program costs and revenues recorded in the Interruptible Load Management Program Memorandum Account (ILPMA). Program costs are incremental costs incurred by Pacific Gas & Electric Company (PG&E), above the current rates authorized by the Commission, and reduced by revenues from penalties or other funds received.

Audit Procedures

1. Obtain documents and supports in order acquire understanding of Interruptible Load Management Program (ILMP) background and processes
 - A. Obtain and review relevant decisions, documents, and reports for 2001, 2002, and 2003 in support of accounting activities.
 - Commission Decisions related to ILPMA and its relevance to accounting of program costs and revenues
 - Annual Earnings Assessment Proceeding Report (AEAP) for 2002, 2003, and 2004 ILMP activities
 - ILMP plans, descriptions and budget information
 - Description of accounting and reporting system
 - Accounting procedures related to ILPMA costs and revenues
 - Flowcharts of Accounting process (e.g., Accounts Payable process, General Ledger record keeping) related to ILPMA
 - Organizational charts of the individuals involved with the ILMP including description of each responsibilities
 - Internal and external audit reports issued to PG&E relating to Interruptible Load Management programs and operations
 - Sample of Accounting reports (e.g., SAP records, Memorandum Account reports, Accounts Payable Summary Reports, etc.)
 - ILPMA costs and revenues for 2001, 2002, and 2003, summarized by month and year
 - Summary reports for 2001, 2002, and 2003 showing ILMP costs and revenues by program
 - Preliminary Statements and Tariff rates
 - Sample of signed agreements between PG&E and ILMP participants
 - Report showing all contracts signed by PG&E and names of participants for 2001, 2002, and 2003.
2. Test and evaluate PG&E's system of accounting and internal controls to ensure adequacy, effective compliance and timely recording of data

- A. Evaluate PG&E's internal control relating to:
- Controls over information processing
 - Segregation of duties
 - Accurate and timely recording of transactions
- B. Determine if system of internal control was audited by PG&E's internal and/or external auditors
- Obtain copies of audit reports relating to examination of internal controls
 - Obtain explanations to internal control issues raised by the auditors
 - Determine any corrective actions made to resolve internal control issues
 - Determine frequency of audit of financial records related to ILPMA and ILMP
- C. Obtain and review copies of policies relating to accounting of incentive payments or invoices
- D. Review flowchart of accounting systems involved in the process of payments, tracking of costs and recording of incentive payments or invoices
- E. Interview accounting personnel responsible for recording and payment of expenditures
- Determine if proper regulatory compliance were met and if accounting integrity of costs and revenue transactions recorded in the memorandum account were maintained
 - Evaluate separation of duties to prevent improper use of funds
- F. Interview program managers responsible for program administration and oversight of ILMP expenditures
- Review program controls, including incentive payment and invoice review, and approval processes, verification procedures, authorization and approval levels, and financial checks and balances
- G. Assure that the system of internal control is followed consistently from year to year
3. Review ILPMA entries to determine proper and complete recording of expenditures and revenues
- A. Determine memorandum accounts established
- Determine if memorandum accounts were established for each program. If not, determine how the programs were classified in the memorandum accounts.

- B. Determine actual expenditures incurred during the year using SAP reports, and summary of invoices paid annually
- C. Verify and review recorded entries for validity and accuracy
 - Explain any major adjustments made in the memorandum account and determine validity
- D. Trace entries from sources (invoices, etc) to the memorandum account
 - Follow audit trails
 - Determine unusual and extraordinary entries
 - Determine if entries are supported and documented
- 4. Obtain evidence of transactions and verify all expenditure reports to determine if all payments were made properly and accurately
 - A. Obtain documents in support of operational activities
 - Test accounting systems and controls for ILMP expenditures and identify weaknesses
 - B. Obtain reports and summaries of all ILMP expenditures for years 2001, 2002, and 2003
 - Determine how expenditures were summarized
 - Obtain expenditure reports from the PG&E
- 5. Inspect invoices and determine if they were paid and recorded on a timely basis, accurately and properly.
 - A. Apply sampling methods and select samples to review
 - Based on the population of paid incentives/invoices, apply sampling method to determine the size of samples to be reviewed
 - Depending on the size of the samples selected, either judgmental or unrestricted random sampling will be used as sampling technique.
 - Explain basis of sampling method used
 - Determine and support reasons for samples selected
 - Test samples for completeness, accuracy, and appropriateness
 - Describe and support results of sampling test
 - B. Obtain invoices based on the sampling method selected
 - Determine if invoices paid are for valid programs, properly identified as ordered by the Commission
 - Determine if invoices paid and being tested showed proper approval and calculated accurately

- Prove calculation – verify correctness of information for taxes and discounts, etc.
- C. Trace invoices to payment records
 - Compare invoices with payments records and reconcile totals
- D. Trace payments to SAP accounting records
 - Obtain SAP reports showing invoices paid and total amounts paid by month for 2001, 2002, and 2003
 - Determine if reports and summaries are prepared periodically
 - Determine if ILMP expenditures were reconciled with SAP accounting reports and summaries
- E. Investigate for any duplicate invoices and payments
 - Verify invoice numbers, amounts paid, payee and description of work to ensure that no duplication of payments or charges was made.
- 6. Determine revenues received from penalties or from other funding
 - Obtain documents to support reported revenues
 - Review computation for accuracy and completeness